

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

April 23, 2003

IN RE:

**APPLICATION FOR APPROVAL OF THE
RELINQUISHMENT OF POSITIVE VOTING CONTROL
OF NEWSOUTH HOLDINGS, INC., SOLE
SHAREHOLDER OF NEWSOUTH COMMUNICATIONS
CORP., BY NSHI VENTURES LLC**

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**DOCKET NO.
03-00121**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on April 7, 2003 for consideration of the *Application* filed by NewSouth Communications Corp. ("NewSouth"), pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of the authority to provide utility services currently held by NewSouth.

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Application

In the *Application*, which was filed on February 10, 2003, NewSouth requests Authority approval of a transfer of control of NewSouth. The *Application* states that this transfer will result from the restructuring of NewSouth Holdings, Inc. (“Holdings”), of which NewSouth is a wholly-owned subsidiary. Following this restructuring, the ownership interest of NSHI Ventures LLC (“Ventures”), the current majority shareholder in Holdings, will be reduced to a non-majority interest and no shareholder will hold a controlling interest in Holdings. Upon completion of the restructuring, Ventures will continue to be the largest shareholder with approximately thirty-six percent (36%) of Holdings’ voting power. Wachovia Capital Partners 2003, LLC and Wachovia Capital Partners, Inc. will hold approximately twenty-three percent (23%) of the voting interest. Quadrangle Capital Partners, LP, Quadrangle Select Partners LP, and Quadrangle Capital Partners – A LP will hold approximately sixteen percent (16%). M/C Venture Partners V, L.P., M/C Venture Investors L.L.C., and Chesnut Venture Partners, L.P. will hold approximately nineteen percent (19%).

According to the *Application*, NewSouth and Holdings are Delaware corporations headquartered in Greenville, South Carolina. NewSouth was granted authority to provide resold telecommunications services and operator services in Tennessee by Order dated August 1, 2000 in Docket No. 00-00177. Ventures is a Delaware limited liability company located in Menlo

Park, California. Wachovia Capital Partners 2003, LLC, a North Carolina limited liability company with its principal place of business in Charlotte, North Carolina, is a subsidiary of Wachovia Investors, Inc., which is a wholly-owned subsidiary of Wachovia Corporation. Wachovia Capital Partners, Inc. is a wholly-owned subsidiary of Wachovia Bank, N.A., which is a wholly-owned subsidiary of Wachovia Corporation. Quadrangle Capital Partners, LP, Quadrangle Select Partners LP, and Quadrangle Capital Partners – A LP are New York limited partnerships located in New York, New York. M/C Venture Partners V, L.P., a Delaware limited partnership located in Boston, Massachusetts, is controlled by its general partner, M/C VP V, L.L.C., a Massachusetts limited liability company also located in Boston, Massachusetts. M/C Venture Investors L.L.C. and Chesnut Venture Partners, L.P. are controlled by the same managers as M/C VP V, L.L.C.

Public Interest Considerations

The *Application* states that the proposed transfer of control will not result in a change in NewSouth's management, services, rates, or tariffs. NewSouth will continue to operate under its present name and operating authorities. Therefore, the transfer of control will be transparent to NewSouth's customers and will not have any adverse impact upon them.

Findings

The voting panel considered this matter at the April 7, 2003 Authority Conference. Based upon careful consideration of the *Application* and of the entire record of this matter, the voting panel finds and concludes as follows:

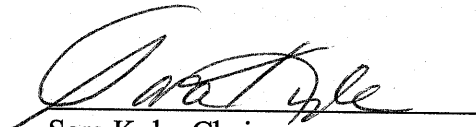
1. The Authority has jurisdiction over the subject matter of this *Application* pursuant to Tenn. Code Ann. § 65-4-113;
2. NewSouth Communications Corp. has been granted authority to provide telecommunications services in Tennessee;

3. As a result of a restructuring, majority ownership of the parent company of NewSouth Communications Corp. will be relinquished by NSHI Ventures LLC, and no one entity will hold a controlling interest in the parent company of NewSouth Communications Corp., resulting in a transfer of ownership of the authority to provide utility services that has been granted to NewSouth Communications Corp.; and

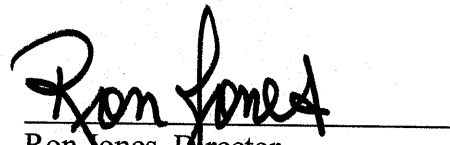
4. The transfer of authority will benefit the consuming public.

IT IS THEREFORE ORDERED THAT:

The *Application* of NewSouth Communications Corp. for approval of the transfer of authority described herein is approved.


Sara Kyle, Chairman


Deborah Taylor Tate, Director


Ron Jones, Director